

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR THE APPROVAL OF)	
THE USE OF BOND-BASED FINANCING IN THE)	
AMOUNT OF APPROXIMATELY \$20,500,000 FOR)	CASE NO. 94-105
MODIFICATIONS TO ITS SPURLOCK POWER)	
STATION, IN MASON COUNTY, KENTUCKY,)	
RELATED TO THE INLAND CONTAINER PROJECT)	

O R D E R

IT IS ORDERED that East Kentucky Power Cooperative, Inc. ("East Kentucky") shall file an original and six copies of the following information within 10 days from the date of this Order.

1. Provide a company profile of National Cooperative Services Corporation ("NCSC"). Include with this profile such information as the date NCSC became an active corporation and how it is affiliated with the National Rural Utilities Cooperative Finance Corporation ("CFC"). Furthermore, state why all loan approval documents come from CFC and not NCSC.

2. Provide a detailed description of any financing options other than serial maturity bonds issued through NCSC that were considered in securing the financing requested. This response should include the reason(s) why NCSC bond financing was selected over other options, as well as the results of any studies conducted which support the use of NCSC bond financing.

3. Provide a bond amortization schedule for the proposed debt. In addition to separate columns for date, principal, interest, premium or discount amortization, and balance, the

schedule should separately show the annual cost of servicing the bonds. Include with this schedule all workpapers, assumptions and other documentation used in creating the schedule.

4. Refer to Exhibit F of the application. The board approved a \$12.5 million CFC-guaranteed NCSC bond issue. The balance of the financing needs (\$5 million + \$5 million) was to come from CFC loans. Provide any board resolution showing that the board approved \$20.5 million in serial bond financing. Additionally, clarify the discrepancy between the board resolution approving \$22.5 million and East Kentucky's request for Commission approval of \$20.5 million.

5. Provide the journal entries East Kentucky will make to record the following:

- a. The initial issuance of the bonds.
- b. The payment of the interest, the amortization of any discount or premium, and the retirement of bonds based on the amortization schedule provided in East Kentucky's response to Item No. 3 above.

6. State whether East Kentucky plans to record any discount or premium resulting from the bond issuance under the straight-line, bonds outstanding, or effective interest methods.

7. Explain whether or not East Kentucky will be able to meet its increased debt service requirements with the revenues generated by its existing rates.

8. Exhibit G, page 1 of 1 of East Kentucky's application includes a reference to a Type II lien accommodation from the Rural

Electrification Administration ("REA"). Indicate where in the application there is documentation of this accommodation. If the documentation was not included in the application, provide a copy of the document(s) received from REA wherein the lien accommodation was granted.

9. In Case No. 90-197,¹ the Commission authorized East Kentucky to construct steam facilities estimated to cost \$10 million. East Kentucky is now requesting authority to finance \$20.5 million for reimbursement of steam facilities constructed.

a. Provide a detailed schedule showing the steam facilities proposed in Case No. 90-197 and the then estimated cost of each facility.

b. Provide a detailed schedule showing the steam facilities actually constructed and the cost of each facility.

c. Provide a detailed explanation for each facility whose actual construction cost exceeded the estimated cost in Case No. 90-197.

10. Provide an executed copy of the project service agreements entered into by East Kentucky relative to the Inland Container project.

11. Beginning with the commencement date, provide the monthly facilities charges billed to Inland Container Corporation. Show the initial calculation of the charge and the computation of any adjustments.

¹ The Application of East Kentucky Power Cooperative for a Certificate of Public Convenience and Necessity to Construct Certain Steam Service Facilities in Mason County, Kentucky.

Done at Frankfort, Kentucky, this 4th day of May, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director